

December 17, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**FIFTEEN-YEAR LEASE
DEPARTMENT OF MENTAL HEALTH AND
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
921 EAST COMPTON BOULEVARD, COMPTON
(SECOND) (3 VOTE)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chairman to sign the attached 15-year lease with KMPG Compton, LLC, (Lessor) for approximately 60,180 square feet of office space and 250 parking spaces for the Departments of Mental Health (DMH) and Children and Family Services (DCFS) at the initial annual maximum rental rate of \$1,485,933, excluding utility costs. Rental costs are fully funded by State and Federal sources for DMH and 84 percent subvented by State and Federal funds for DCFS.
2. Authorize the Lessor and/or the Internal Services Department (ISD), at the direction of the Chief Administrative Office (CAO), to acquire a telephone system for DMH and DCFS at a cost not to exceed \$1,200,000. All or part of the telephone, data, and low voltage systems may be paid in lump sum or financed over a five-year term not to exceed \$281,012 per year, in addition to the other Tenant Improvement (TI) allowances.

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3. Consider the attached Negative Declaration, together with the fact that no comments were received during the public review process, find that the project will not have a significant effect on the environment, find that the Negative Declaration reflects the independent judgement of the County, approve the Negative Declaration and find that the project will have no adverse effect on wildlife resources and authorize the CAO to complete and file a Certificate of Fee Exemption for the project.
4. Authorize ISD, at the direction of the CAO, upon consultation with DMH and DCFS, to perform any or all of the building services, including repair, replacement and maintenance, in conjunction with the County's tenancy, for a commensurate reduction in the rental rate to the Lessor.
5. Approve the project and authorize the CAO, DMH, DCFS and ISD to implement the project. The lease will become effective upon approval by your Board and the completion and acceptance of the improvements to the space.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of this recommended action is to allow DMH and DCFS to relocate their programs to a much-needed larger facility that is centrally located in Service Planning Area 6 (SPA 6) for the constituency they serve. By relocating, DMH and DCFS will be able to increase staff productivity and enhance client services.

DMH is operating its adult therapy, rehabilitation, children and adolescents programs out of overcrowded facilities located at 322 West Compton Boulevard, Compton, St. Francis Hospital, Hope Center and eight school sites throughout the City of Compton. A replacement facility is needed to allow DMH to handle the increasing caseload and the 117 full-time employees in one central location in the City of Compton.

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DCFS would like to alleviate overcrowded conditions at two County-leased facilities and increase their presence in SPA 6 by relocating to the proposed facility. DCFS' Lakewood and Santa Fe Springs facilities are unable to accommodate the recent growth in caseloads. The proposed facility will be used to house approximately 178 DCFS full-time employees. Service delivery staff provide a wide range of services to children and families in the dependency system or at risk of becoming part of the dependency systems including the following services: child protection, family preservation, family reunification, emancipation, permanency planning, child welfare, foster care services, and adoptions.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we invest in public infrastructure, in order to strengthen the County's fiscal capacity. The lease of property supports this strategy by complying with the Strategic Asset Management Principles (Goal 4, Strategy 2, Objective 2). In this case, we are consolidating and expanding the delivery of services, maximizing service accessibility, and allowing the County to maximize subvention through leasing efforts, as further outlined in Attachment A.

FISCAL IMPACT/FINANCING

If the Lessor provides all of the maintenance services, the maximum initial annual cost of the proposed lease will be \$1,485,933 including all TI's. The portion of the rent allocated to operating expenses will be subject to annual adjustments based on the Consumer Price Index not to exceed five percent. Because DMH will vacate its portion of the San Pedro Service Center, which is maintained by ISD, this lease was negotiated with the flexibility for the County to assume maintenance responsibilities in exchange for a specific rental reduction.

Proposed Lease	921 East Compton Boulevard, Compton
Area (Square Feet)	60,180 _±
Term (Years)	Fifteen years, commencing upon Board's approval and completion of the tenant improvements
Annual Base Rent	\$ 505,512 (\$8.40 sq.ft.)
Annual Operating Rent*	\$ 469,404 (\$7.80 sq.ft.)
TI Allowance Included in Base Rent Additional TI** Change Order** Maximum TI	\$ 902,700 (\$15.00 sq.ft.) \$3,309,900 (\$55.00 sq.ft.) \$ <u>200,000</u> (\$ <u>3.32</u> sq.ft.) \$4,412,600 (\$73.32 sq.ft.)
Maximum Annual Rent	\$1,485,933 (\$24.69 sq.ft.)
Cancellation**	At anytime after the 10 th year, upon a 180 days written notice to Lessor.
Parking (included in Rent)	250 spaces

* If County selects to allow Lessor to provide all services related to the facility

** The maximum amount of additional TI and change orders is (\$3,309,900+ \$200,000) \$3,509,900 to be paid in lump sum payment in whole or in part at County's option to be amortized at eight percent interest over the initial ten-year of the term.

Sufficient funding for the proposed lease is included in the 2002-03 Rent Expense Budget and will be charged back to DMH and DCFS in proportion to the amount of space they occupy. Sufficient funding is available in DMH's and DCFS' operating budgets to cover the projected lease costs. DMH's costs associated with the proposed lease are funded by State and Federal funds, and DCFS' costs are subvented by State and Federal sources by up to 84 percent.

The total estimated purchase costs for the telephone, data and low voltage systems is not to exceed \$1,200,000 and may be paid in a lump sum payment or financed over a five-year term in an amount not to exceed \$281,012 per year by the departments. Should the Lessor be able to provide the telephone, data and low voltage systems at or below the County's cost, the recommendation herein allows for the payment of these costs to the Lessor and, at the discretion of the CAO, all or part of these costs may be paid in a lump sum payment to ISD or the Lessor.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed 15-year lease will provide approximately 60,180 rentable square feet of office and clinic space along with 250 parking spaces. The lease contains the following provisions:

- Fifteen-year term commencing upon Board's approval and completion of the tenant improvements by the Lessor.
- An annual base space rental rate of \$505,512, fixed for the entire term of the lease.
- An annual operating expenses rent of \$469,404 covering all costs associated with County's occupancy except for utilities. This rent is subject to annual adjustments based on the Consumer Price Index (CPI) capped at five percent (5%) annually.
- County will have the option to assume any or all of the building services and reduce the amount of rent to be paid to the Lessor. If all services are performed by ISD, the rent will be reduced by the \$469,404 plus applicable CPI.
- A base tenant improvement allowance (TI) of \$902,700 (\$15 per square foot) is included in the rental rate.
- An additional TI allowance of \$3,309,900 (\$55 per square foot) is also included, subject to amortization at the rate of eight percent over the initial ten years of the term, or payment in whole or in part at County's sole option.
- A change order allowance of \$200,000 is included subject to the same amortization as the additional TI.

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- A cancellation provision allowing the County to cancel at anytime after the tenth year of the term upon a 180 days notice to Lessor.
- A purchase option of \$810,000 is also available to the County after 15 years.

CAO Real Estate staff surveyed the Compton area to determine the availability of comparable and more economic sites. Staff was unable to identify any sites in the surveyed area that could accommodate this requirement. Attachment B shows all County-owned and leased facilities within the search area for this program and there are no County-owned or leased facilities available for this program.

The proposed lease was submitted for review to your Board's appointed Real Estate Management Commission on December 4, 2002. Although a quorum of the Commission was not present, after careful review, the Commissioners in attendance approved the proposed lease.

The Department of Public Works has inspected this facility and found it suitable for long-term County occupancy.

The placement of a child care facility at or in close proximity to a mental health clinic could be problematic. Therefore, inclusion of a child care facility is not recommended.

ENVIRONMENTAL DOCUMENTATION

The CAO has made an initial study of environmental factors and has concluded that this project will have no significant impact on the environment and no adverse effect on wildlife resources. Accordingly, a Negative Declaration has been prepared and a notice posted at the site as required by the California Environmental Quality Act (CEQA) and the California Administrative Code, Section 15072. Copies of the completed Initial Study, the resulting Negative Declaration, and the Notice of Preparation of Negative Declaration as posted are attached. No comments to the Negative Declaration were received. A fee must be paid to the State Department of Fish and Game when certain notices are filed with the Registrar-Recorder/County Clerk. The County is exempt from paying this fee when your Board finds that a project will have no impact on wildlife resources.

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IMPACT ON CURRENT SERVICES (OR PROJECTS)

It is the finding of the CAO that the proposed lease amendment is in the best interest of the County and will adequately provide the necessary space for this County requirement. In accordance with your Board's policy on the housing of any County offices or activities, DMH and DCFS concurs with this lease recommendation.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors, return two certified copies of the executed Lease Amendment, and two certified copies of the Minute Order, and the adopted, stamped Board letter to the CAO Real Estate Division at 222 South Hill Street, 4th Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:SNY
CWW:MS:pe

Attachments (7)

c: County Counsel
Auditor-Controller
Department of Mental Health
Department of Children and Family Services
Internal Services Department

**Department of Mental Health
Department of Children and Family Services
921 East Compton Blvd., Compton**

1.	<u>Occupancy</u>	Yes	No	N/A
A	Does lease consolidate administrative functions? ²			X
B	Does lease co-locate with other functions to better serve clients? ²	X		
C	Does this lease centralize business support functions? ²			X
D	Does this lease meeting the guideline of 200 sf of space per person? ² DMH will have a ratio of 257 sf/person, DCFS have a ratio of 169 sf/person.	X		
2.	<u>Capital</u>			
A	Should program be in leased space to maximize State/Federal funding? (DCFS yes, DMH No)	X		
B	If not, is this a long term County program?	X		
C	Is it a net County cost (NCC) program DCFS - 16 percent		X	
D	If yes to 2 B or C; is this a capital lease or operating lease with an option?	X		
E	If no, are there any suitable County-owned facilities available?			X
F	If yes, why is lease being recommended over occupancy in County-owned space?			X
G	Is Building Description Report attached as Attachment B?	X		
H	Was build-to-suit or capital project considered? Yes, it was part of SPA 6 RFP.	X		
3.	<u>Portfolio Management</u>			
A	Did department utilize CAO Space Request Evaluation (SRE)?	X		
B	Was the space need justified?	X		
C	If a renewal lease, was co-location with other County departments considered?			X
D	Why was this program not co-located?			
	1. ___ The program clientele requires a "stand alone" facility.			
	2. ___ No suitable County occupied properties in project area.			
	3. ___ No County-owned facilities available for the project.			
	4. ___ Could not get City clearance or approval.			
	5. X The Program is being co-located.			
E	Is lease a full service lease? ² No, the lease is a modified full service lease in which Lessor pays all costs except utilities, which Lessor was not willing to pay. In addition, the Lease includes the flexibility for any or all building services to be performed by the County.		X	
F	Has growth projection been considered in space request?	X		
G	Has the Dept. of Public Works completed seismic review/approval?	X		
	¹ As approved by the Board of Supervisors 11/17/98			
	² If not, why not?			

Please **BOLD** any written responses

**SPACE SEARCH - 3 MILE RADIUS OF DEPARTMENT OF MENTAL HEALTH AND
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
921 EAST COMPTON BOULEVARD, COMPTON**

LACO	FACILITY NAME	ADDRESS	GROSS SQ. FT.	NET SQ. FT.	OWNERSHIP	AVAILABLE
6420	COMPTON COURTHOUSE	200 W COMPTON BLVD., COMPTON 90220	576,467	205,939	FINANCED	NONE
X169	DPSS-COMPTON AP/ DISTRICT OFFICE	211 E ALONDRA BLVD., COMPTON 90220	48,135	38,777	OWNED	NONE